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VIA – Electronic Mail

May 31, 2012

Dave Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
PO Box 47250
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Dear Mr. Danner:

Attached for filing with the Commission is an electronic copy of Avista Corporation's dba Avista Utilities ("Avista or the Company") filing of its proposed revisions to the following tariff sheets, WN U-28 and WN U-29:

Eleventh Revision Sheet 91	Canceling	**Tenth Revision Sheet 91**
Fifteenth Revision Sheet 191	Canceling	**Fourteenth Revision Sheet 191**

As part of the conditions approved by the Commission in Docket No. UE-111882, Order 01 at Paragraph 30, Avista must file with the Commission a cost recovery tariff by June 1, 2012, with a requested effective date of August 1, 2012. The Company's tariff rider mechanism is designed to match future revenue with budgeted expenditures. To ensure appropriate recovery, the mechanism includes a true-up feature that reconciles the previous periods' actual expenditures and collections.

As of March 31, 2012, the current Schedule 91 (electric) and 191 (natural gas) tariff rider balances were over $2.4 million overfunded and $741,000 overfunded respectively. Overfunded balances indicate that more tariff rider funding was collected than necessary to fund the ongoing Demand Side Management (DSM) operations. In addition, for Schedule 91, the Company incurs a 10 percent interest on any overfunded balances.

In the past, the increase to Schedules 91 and 191 allowed for adequate revenue to both fund current energy efficiency operations as well as to reduce the accumulation of underfunded tariff rider balances for these Schedules. The tariff rider adjustments proposed in this filing would reduce the over-funded balance, and provide approximately $12.3 million and $4.4 million in annual revenue to fund ongoing electric and natural gas efficiency, respectively.

Schedules 91 and 191 fund DSM programs described in the Company's Schedules 90 and 190. All Schedule 91 and 191 DSM revenue is applied only to the provision of electric and natural gas efficiency service including programs offered by the Company directly, through designated contractors, or as part of regional electric and natural gas efficiency programs as well as evaluation, measurement and verification (EM&V). These programs include but are not limited to the following:

- Appliance measures
- Compressed air measures
- HVAC measures
- Industrial measures
- Lighting measures
- Maintenance measures
- Motors measures
- Northwest Energy Efficiency Alliance participation
- Shell measures
- Sustainable Building measures

The Company's programs are based on providing a financial incentive, or "rebate," for cost-effective efficiency measures with a simple payback of greater than one year and up to thirteen years. This includes over 300 measures that are packaged into over 30 programs for customer convenience.

Avista has long encouraged the direct-use of natural gas to its electric customers. As an electric energy efficiency program, the Company is continuing this effort with residential rebates for the conversion of electric to natural gas space and water heat loads as well as a broad program for any non-residential electric to natural gas conversions meeting specified criteria for relative British Thermal Unit (BTU) efficiency. The cost-effective potential for these measures has been incorporated into Avista's Integrated Resource Planning effort and are contained within the identified acquisition goal. Avista's residential programs include high efficiency equipment, electric to natural gas conversions, Compact Fluorescent Lamps (CFLs), "second" refrigerator recycling, weatherization, rooftop dampers as well as providing educational assistance through various community events.

For non-residential customers, in addition to prescriptive (or "standard offer") programs, Avista offers site-specific (or customized) services. The site-specific program provides incentives on any cost-effective commercial and industrial energy efficiency measure with a simple financial payback exceeding one year, up to thirteen years. This is implemented through site analyses, customized diagnoses, and incentives determined for savings generated specific to customers' premise or process. In addition to the site-specific offering, commercial and industrial programs available to Avista customers include lighting and controls, commercial food service equipment, premium efficiency motors, power management for personal computer networks, commercial HVAC variable frequency drives, refrigerated warehouses, vending machine controllers, demand controlled ventilation, side-stream filtration, steam trap replacement and repair, multifamily development, electric to natural gas water heater conversions, and commercial clothes washers.

In addition to Avista's prescriptive and site-specific programs, the Company helps fund the activities of the Northwest Energy Efficiency Alliance (NEEA). NEEA focuses on using a regional approach to obtain electric efficiency through the transformation of markets for efficiency measures and services. An example of NEEA-sponsored programs that benefits Avista customers is decreasing the cost of CFLs and high-efficiency appliances by working through manufacturers. For some measures a large-scale, cross-utility approach is the most cost-effective means to achieve energy efficiency savings. This approach is particularly effective for markets composed of large numbers of smaller usage homogeneous consumers, such as the residential and small commercial markets. Historically, Avista has received approximately 1.5 to 2 aMW of savings in its service territory from NEEA programs.

The Company provided approximately $2 million for low-income weatherization in 2011 in Washington. This program is administered by the six local community action agencies in our eastern Washington service territory. The Company also provides a separate Low Income Rate Assistance Program (LIRAP) for bill-paying assistance.

In 2011, approximately 29 Full Time Equivalents (FTE) delivered energy efficiency programs and measures resulting in Washington local electric savings of 172,341 MWh (or 134% of the IRP goal) and natural gas savings of 1.1 million therms (or 67% of the IRP goal). Approximately 71% of the energy efficiency budget was provided to participating customers as rebates (residential) and financial incentives (commercial and industrial). This does not include additional benefits such as site audits and technical analyses provided to customers by the Company's DSM engineering staff.

As required by Paragraph 28 of the Commission's Order 01 in Docket No. UE-111882, Avista must spend a "reasonable" amount of its DSM budget on evaluation, measurement and verification (EM&V). Avista has engaged The Cadmus Group to perform independent evaluation at a cost of approximately $1.2 million in 2011.

Several metrics are applied to determine the costs and benefits of these programs. The primary cost-effectiveness test is the Total Resource Cost (TRC) test; the Program Administrator Cost (PAC) is another key determinant of program efficacy.[1] Ratios over 1.0 illustrate that benefits exceed costs. For 2011, the Company's DSM portfolios were cost-effective with TRC and PAC ratios of 1.12 and 2.61, respectively, for its electric portfolio, and 1.03 and 2.75, respectively, for its natural gas portfolio.

The Company has regularly convened stakeholder meetings to gain input from customer representatives, Commission staff members, and individuals from the environmental communities. In these stakeholder meetings the Company's program offerings are reviewed as well as the underlying cost-effectiveness tests and results. Stakeholder involvement has grown in the past year, partly due to the Company's EM&V Collaborative held in 2010 and partly due to increased attention on the conservation "I-937" targets. The Company continues to appreciate the time and input provided by Avista's stakeholders.

In conclusion, Avista requests the Commission approve the proposed reduction in rates and charges in Schedules 91 and 191. The estimated annual revenue change associated with this filing is approximately a decrease of $8.2 million for electric Schedule 91, or a decrease of 1.8% in overall billed rates and a decrease of $1.9 million for natural gas Schedule 191, or a decrease of 1.3% in overall billed rates. The proposed rate decrease will have an average monthly bill impact to residential electric customers using 989 kWh of $1.47 reduction to their bill, or 1.9%. The proposed rate decrease will have an average monthly bill impact to residential natural gas customers using 68 therms of $0.79 reduction to their bill, or 1.3%.

[1] The Total Resource Cost Test measures the net costs of a demand-side management program as a resource option based on the total costs of the program, including both the participants' and the utility's costs. The Program Administrator Cost Test measures the net costs of a demand-side management program as a resource option based on the costs incurred by the program administrator (including incentive costs) and excluding any net costs incurred by the participant. The benefits are similar to the TRC benefits. Costs are defined more narrowly.

Pursuant to WAC 480-100-195(2), enclosed is a "Notice of Tariff Change" which will be posted on the Company's website coincident with the date of this filing. Also enclosed are the Company's workpapers supporting this filing.

Please direct any questions on this matter to Bruce Folsom, Director, Energy Efficiency Policy at (509) 495-8706 or myself at (509) 495-4975.

Sincerely,

/s/Linda Gervais//

Linda Gervais
Manager, Regulatory Policy
Avista Utilities
linda.gervais@avistacorp.com

Enclosures

cc: Advisory Group

AVISTA CORPORATION
dba Avista Utilities
NOTICE OF TARIFF CHANGE
(Washington Electric and Natural Gas Service)

Notice is hereby given that the "Sheets" listed below of Tariff WN U-29, covering electric and natural gas service, have been filed with the Washington Utilities and Transportation Commission (WUTC) in Olympia.

Eleventh Revision Sheet 91	Canceling	**Tenth Revision Sheet 91**
Fifteenth Revision Sheet 191	Canceling	**Fourteenth Revision Sheet 191**

Avista requests the Commission approve a proposed reduction in rates and charges in Schedules 91 and 191 - "Public Purposes Rider Adjustment". Schedules 91 and 191 are designed to recover the costs incurred by the Company associated with providing electric and natural gas energy efficiency services to customers.

The estimated annual revenue change associated with this filing is approximately a decrease of $8.2 million for electric Schedule 91, or a decrease of 1.8% in overall billed rates and a decrease of $1.9 million for natural gas Schedule 191, or a decrease of 1.3% in overall billed rates. The proposed rate decrease will have an average monthly bill impact to residential customers using 989 kWh of $1.47 reduction to their bill, or 1.9%. The proposed rate decrease will have an average monthly bill impact to residential customers using 68 therms of $0.79 reduction to their bill, or 1.3%.

Copies of the proposed tariff changes are available for inspection in the Company's offices and on the Company website at http://www.avistautilities.com/services/energypricing/Pages/default.aspx.

Issue Date: May 31, 2012
Keep Posted Until: July 1, 2012, or until effective

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Avista Washington Electric and Natural Gas Customers Could See Rate Decrease as part of Annual Energy Efficiency Program True-Up

Customers continue benefiting from rebate and incentive programs to reduce energy use

SPOKANE, Wash. – June 1, 2012, 1:30 p.m. PDT: Avista customers in Washington could see a decrease in their electric and natural gas rates beginning Aug. 1, if the Washington Utilities and Transportation Commission approves the company's request to reduce surcharges that fund the company's electric and natural gas energy efficiency programs.

The decreases are being requested to balance the amount of funding required for Avista to operate its energy efficiency programs, including the rebates and incentives paid to participating customers for installing energy saving measures. The requests are a part of Avista's annual report to Washington regulators regarding the funding of the company's energy efficiency programs.

If Avista's requests are approved, electric customers in Washington would see an overall 1.9 percent decrease, or $1.47 a month for residential customers using an average of 989 kilowatt hours. Natural gas customers in Washington would see an overall 1.3 percent decrease, or a 79-cent per month reduction for residential customers using 68 therms. These tariff adjustments have no impact on company earnings.

Last year customers in Avista's three-state service area received more than 43,000 rebates and incentives totaling almost $16 million. The energy savings are enough to power more than 5,300 Inland Northwest homes for a year and serve 2,300 homes with natural gas for a year, or almost 64,000 megawatt hours and 1.7 million therms of natural gas.

Of the rebates paid in 2011, more than 28,000 were to Washington customers totaling $11.4 million, more than 12,000 rebates to Idaho customers totaling $3.7 million, and Oregon customers received 2,300 rebates totaling $1.2 million. The most popular energy and cost-saving measures for residential customers included purchasing Energy Star® appliances, installing high efficiency natural gas furnaces, and upgrading windows and insulation. The average residential rebate for single family homes was $105.

Approximately $1.7 million was provided for weatherization for qualifying low-income customers in Washington and $595,000 for Idaho customers. An additional $40,000 was provided for conservation education for Idaho customers.

Information on energy efficiency rebates and incentives Avista offers for residential, commercial and low-income customers is available at www.everylittlebit.com, along with other energy-saving information.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides electric service to 360,000 customers and natural gas to 321,000 customers. Our service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.5 million. Avista's primary, non-regulated subsidiary is Ecova, an energy and sustainability management company with more than 500 multi-site commercial and utility customers, representing more than 450,000 sites. Our stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2011.

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